

[Top Stories](#)

State Senate Considers Small Business Tax Relief Proposal

Posted: **3/6/2009**

Some small businesses in Michigan could soon get tax relief. A bill in the State Senate would allow more small businesses to take advantage of existing tax breaks, and legislators hope it would retain and create new jobs.



This bill comes in a time when legislators, Democrat and Republican alike, are trying to think of any way to help pull Michigan out of this recession. And local businesses we spoke with in Wexford County say it's time for some help.

"We could always stand to pay a little less to the government, that's for sure," Carol Donohue, Blackberry Rose owner, said.

Many small businesses like Blackberry Rose are seeing devoted but less foot traffic in this economy.

"This is main street right here, and anything that can help us out with a tax break or whatever it might be, it's certainly going to benefit everybody, benefit the whole community," Donohue said.

State Senate Bill 69 could help business owners. If it becomes law, more small businesses would qualify to pay just 1.8 percent tax, instead of the 4.95 percent Michigan Business Tax.

"That's huge, I don't need a calculator for that one, I'm pretty excited about that one," Donohue said.

The Bear Claw is a newer business and if they create more jobs, this and other new businesses could qualify to get the Michigan Entrepreneurial Exemption, or the "ME-2" credit—no state tax for three years.

"That would be great. That would take a huge bearing off of us money-wise," Karrie Lutzke, Bear Claw owner, said. Lutzke says they could put the tax savings to good use.

"We've put a lot of money into this place, a huge amount. And not only with the softball fields and the volleyball fields, we would like to put camping in the back and different other things that would keep the people here," she said.

State Democrats want to help small businesses, but they're not sure how the state can afford the lost tax revenue. Democratic Representative Dan Scripps say the bill would add 250-million dollars to Michigan's 1.7 billion dollar deficit. Republican Sen. Nancy Cassis says the bill will help local economies grow.

"We have a few spaces in downtown that we could stand to have filled, and we got a lot of rock-solid businesses here right now," Donohue said. "That might be the jumpstart that the economy needs," Lutzke said.

The State Senate will debate the bill next week.

Click to the right to view the version of this story by Fox 33's Jodi Hathaway.

Below are some of the specifics of how the bill works, supplied by Sen. Cassis:

Small Business Tax Credit and ME-2 Expansion SB 69 (Cassis)

This bill amends the MBT (Michigan Business Tax) to expand the number of businesses that qualify for the small business credit and the “ME-2” credit. Specifically the bill makes the following changes to the small business credit:

- Increases the amount of adjusted business income up from \$1.3 million to \$1.5 million.
- Increases the amount of compensation and director’s fees that can be received by a shareholder or officer from \$180,000 to \$210,000.
- The credit is phased out over the range of \$165,000 to \$210,000.

The changes to the ME-2 credit are as follows:

- Extend the time limit on credit to 2013.
 - Reduce the number of new jobs to qualify for the credit from 20 to 8 and reduce the amount of capital investment from \$1.25 million to \$500,000.
-

Copyright © 2009 Cadillac Telecasting. All rights reserved.
AP material is copyright © 2009 Associated Press.